

The Commercial Revolution: Economic Expansion

Age of Expansion



Beginnings of the Commercial Revolution

- ◆ Population growth
 - Since 1450 slow recovery from Black Death
 - Continues to rise until mid-17th century when religious and dynastic wars and new plagues led to the “age of crisis”
 - Growth of middle class – wealthy merchants (think Fuggers & Medicis)
- ◆ Increased Agricultural Productivity
 - Cultivation of more land (e.g. forests and marsh lands; reclaiming land from North Sea)
 - Results in agricultural surplus = additional money for investment
 - Rural industry– primarily woolen and textile manufacturing
- ◆ Shift in Economic Centers
 - Italy fades away and Spain, France, Dutch Republic and England emerge as major European powers



Growth of Commercial Revolution



- ◆ Expansion of trade within Europe
 - Growth in small scale manufacturing
 - Principal European Waterways
 - Rhine, Scheldt, Danube, Seine, Rhone

Growth of Commercial Revolution

- ◆ Growth of Trade outside of Europe
 - 16th century = Mediterranean, Low Countries, Baltic region
 - 17th century = Dutch (UPS of Europe), England, France
- ◆ Opening of the World Market
 - East Indies: spices and pepper
 - West Indies & Brazil: sugar, molasses, rum
 - New World: tomatoes, corn, bell peppers, tobacco, potatoes
 - Asia: coffee, tea, cotton
 - Baltic: timber, wheat
 - France: wine
 - Spain: wool, fruit
 - Italy: silk

Growth of Commercial Revolution

Growth of banking

- Banks of Amsterdam and London
- Bills of Exchange – birth of the stock market – Amsterdam Bourse, 1609
- Joint-stock companies
 - Investors buy stock shares in company in return for permanent funding of capital – unless they go bankrupt!!
 - ◆ 1600 English East India Company
 - ◆ 1607-Jamestown, Virginia
 - ◆ 1602 Dutch East India Company
 - ◆ 1664 French East India Company

Growth of Commercial Revolution

- ◆ How to make ENORMOUS profits:
 - Shipbuilding
 - Mining & metallurgy (new extraction technology)
 - Jacob Fugger (bankrolled Charles V) = monopoly in silver, copper and mercury mines = 50%+ profit per year BUT Charles V can't pay back his loans AND House of Fugger goes bankrupt
- ◆ HOWEVER most of Europe still dependent on agricultural economy
 - 80 % of Europeans worked the land
 - Western peasants are free from serfdom BUT they still pay feudal dues, increased rents, and higher taxes
 - Eastern peasants suffer under resurgence of serfdom = even more bound to the land and feudal lord than before

Mercantilism

- ◆ Total volume of trade is unchangeable
 - One country can only increase its volume of trade at the detriment of another country, THEREFORE economic activity = peaceful warfare
 - Competing countries (i.e. England, France, Dutch Republic) all want the balance of trade to be tipped in their favor
- ◆ Prosperity of nation dependent on influx of bullion
- ◆ Export more, import less
- ◆ Government regulation of trade required in order to protect export industries
 - Trade monopolies
 - Gov' t. subsidies
 - Importing foreign artisans (insure quality of product)
 - Improve transportation (roads, canals, bridges)

Price Revolution (aka Inflation)

- ◆ Price revolution (a very slow “revolution”)
 - rise in prices = fall in value of currency Causes for the Price Revolution
 - “Bullionism” influx of gold & silver bullion, provided primarily by Spain
 - Increase in population also increases demand for land and food = higher prices
- ◆ Who suffers from higher prices?
 - Peasant and laborer wages rose the least = drop in standard of living
 - Some governments – excessive borrowing from bankers = new and higher taxes
- ◆ Who benefits?
 - Landowners and Entrepreneurs profit from higher rents, higher prices, bigger markets, and cheap labor costs
- ◆ Increased Social Tension
 - Continuing cracks in breakdown of feudal society; clergy vs. laity, nobility vs. peasantry, urban elite vs. guilds/artisans

- ◆ Cottage Industry (Putting-out System) *see notes*
- ◆ Advantages & disadvantages



Advantages of the Putting-Out System

1. Peasants could supplement their agricultural incomes.
 - Take advantage of winter months when farming was impossible.
2. Merchants could avoid the higher wages and often demanding regulations of urban labor.
 - Easier to reduce the number of workers when the economy was bad.
3. Merchants could acquire capital, which would later play a part in funding industrialization itself.
 - Peasants acquired future skills.
4. Young people could start separate households earlier, thus contributing to population growth.

Disadvantage of the Putting-Out System??

When demand rose [which it did in the 18c] this system proved inefficient.

- Merchant-capitalists found it difficult to induce peasant-workers to increase their output.



This dilemma eventually led to the factory system

- All the workers were concentrated in one place under the supervision of a manager.
- Water or steam power could easily be applied there.

Commercial Capitalism

- ◆ The following system is employed first to cottage industry and in late 18th/early 19th century to factory system:
 - Producer (worker) is subservient to merchant (entrepreneur)
 - Product and person buying product are more important than person producing the product
 - Producers (workers) build the basis, BUT entrepreneurs have the upper hand
- ◆ Other industries begin to follow this pattern of commercial production
- ◆ Over time countries start to produce goods on a national scale